




North Carolina Department of Administration

Beverly Perdue, Governor
Moses Carey, Jr., Secretary

Division of Purchase & Contract
William Sam Byassee, State Purchasing Officer

September 2012

TO: Senate President Pro Tempore Phil Berger, Co-Chair Joint Legislative Commission on Governmental Affairs
Speaker Thom Tillis, Co-Chair Joint Legislative Commission on Governmental Affairs

FR: Sam Byassee, State Purchasing Officer 
NC Department of Administration, Division of Purchase & Contract

RE: Progress Report on the Implementation of a Quality Management System
Equivalent to ISO 9001:2008

The Department of Administration is pleased to submit the required progress report as required by the NC General Assembly concerning its implementation of a quality management system equivalent to the International Standard (ISO) 9001:2008, as required by Session Law 2010-194, Section 21.

The Department contracted with a third party vendor in 2010 through an RFP to review the State of North Carolina's procurement practices and provide recommendations on how to transform procurement in the State and to incorporate best practices based on the vendor's knowledge of same in private industry, in other States and the Federal Government. Third party vendor Accenture provided that report with recommendations to the State in 2011. The report is online for review at <http://www.doa.nc.gov/procurement/documents/report.pdf>. There were multiple work-streams of that study, one of which was the Strategy and Governance component of the assessment, and among its recommendations were a mix of State statutory changes, internal governance improvements and changes to operational processes. The assessment further noted on page 13 that *'the deliverable addresses the State's high-level requirement from SB 1213 to implement a quality management system with comparable quality standards to the International Organization for Standardization (ISO) 9001:2008. The provisions of SB 1213 are incorporated within the governance recommendations.'*

The Department accepted the recommendation and is now well into implementation of those recommendations from this and the other work-streams included in the assessment. The implementation is being completed primarily in-house with existing personnel—versus contracting the services out, due to a lack of funding to do so. Aggressive timelines and active work groups have been established, in light of implementation by in-house personnel, and led by a project manager for

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the Procurement Transformation Project within the Division of Purchase and Contract. Progress is being monitored by the Secretary's Office to ensure adherence to timelines and content.

Specifically, concerning the legislative mandate that Purchase & Contract implement an ISO 9001-like quality management system, the following describes what is being implemented and additional plans that ensure this standard becomes integral to our workday duties and culture. Initially, the Department met with the Industrial Extension Service at NC State University last year about validation methodology to confirm that the proposed standards are substantially similar to the ISO, as well as with the School of Engineering. The Department also emphasized to the third party procurement assessment the importance of the ISO 9001 requirements and the need to incorporate them into its analysis and recommendations.

As background, ISO9001-2008 is an international quality management standard, and as it applies specifically to this effort, it requires that the following principles are addressed and incorporated into day-today operations. It requires that there be:

- Documentation of operational procedures designed to ensure quality performance,
- Management emphasis on implementation and adherence to these procedures,
- Staff organization and competence to carry out the procedures, proper execution of the procedures and,
- Monitoring and measurement of the procedures and their execution for continuing improvement.

In the area of procedures documentation, members of DOA's Procurement Transformation Project are drafting a Procurement Manual, which will describe and explain each of P&C's rules and requirements, as well as document all the step-by-step procedures involved in the State's procurement process. In addition, a Statewide Compliance Manual is being drafted. This manual will describe the necessary procedures to properly administer a contract once it has been established. Both manuals will be distributed statewide and training on them will be instituted. DOA expects these manuals to be completed by the end of 2012 and that training classes will begin in January 2013.

Concerning executive team involvement, both DOA and P&C management have actively promoted the transformation effort and have devoted substantial time and resources to ensure its proper implementation and continuing success. Improved communication channels have been established, both internally and externally, to disseminate plans, status and progress reports, quality expectations and lines of responsibility. Also, both Departmental and Divisional management have firmly expressed their commitment to a customer-focused orientation and their expectation that P&C staff will focus on providing customer service of the highest quality. More broadly, management repeatedly has encouraged customer—i.e., agency—feedback and suggestions for improvement.

The Division of Purchase and Contracts has been reorganized to provide better service and faster turnaround of individual procurement approvals and awards. In addition, the Division is designing a comprehensive training program for procurement personnel statewide that will offer a consistent set of procurement skills to all personnel, which will improve compliance with standard procedures and reduce the unproductive time and effort spent on problems created by non-compliance. Further, P&C is encouraging all its personnel to participate in outside training that will improve their skills and prepare them for professional certifications, with funding assistance when possible, and

recommendations will be made in the near future to add additional positions to focus attention on customer/stakeholder needs and on data analysis and metrics.

To ensure P&C's main function—procurement of the State's needs for goods and services—is performed in the most efficient and economical manner, the Division is refining its execution of this task in accordance with ISO 9001 principles. It is placing greater emphasis on the evaluation of its sources of supply—a process that involves an analysis of how the State is spending on certain commodities and leveraging its spend where possible, as well as more actively working with vendors to ensure a more compliant bidding process and a more productive response to non-conforming vendor performance. P&C also is revising its solicitation documents to clarify the terms and conditions, to improve its organization and to better highlight important requirements. Recently, as part of the upgrade to its e-procurement system, approval flow procedures for all agencies were updated and streamlined.

Concerning monitoring and measurement of compliance with and execution of proper procedures, the governance structure within the Transformation project is developing various sets of metrics—for P&C and for State agencies—with initial versions to be implemented this fiscal year. These metrics will measure the effectiveness of the procurement process and those procedures implemented in furtherance of this Project. The governance structure also is designed as a channel for feedback on performance and recommendations for continued improvement. An enhanced compliance review procedure is being established, consistent with the procedures set out in the Compliance Manual, to provide a periodic “audit” of agency actual practices compared with established procedures and to report on findings. These reports will be used to reduce noncompliance, as well as to highlight areas in which efforts toward improvements—whether to procedures, to training or to communication—need to be emphasized.

All of the tools and processes described in the preceding paragraphs currently are in development or the process of implementation. DOA's timeline calls for the major foundations for this effort to be in place and operational by early 2013. By the end of this fiscal year, DOA expects that the basic structure of the ISO 9001-equivalent system will be established operational, although continuing refinements and improvements to the system are expected—and are, in fact, required—into the indefinite future.

Moreover, to ensure that the goals have been achieved, it is the intent of the Department to contract with a third party reviewer in 2013, preferably from an organization that operates a procurement entity of similar breadth and complexity, to evaluate how the ISO 9001 principles have been incorporated to State procurement procedures and to conduct periodic reviews at regular intervals to assess implementation effectiveness and extent of adoption within statewide procurement organizations.

cc: John Turcotte, Director, Program Evaluation Division of the NC General Assembly
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